

**Managed Risk Medical Insurance Board
Minutes of April 23, 2003, Meeting**

Board Members Present: Cliff Allenby, Areta Crowell, Ph.D.,
Virginia Gotlieb

Ex Officio Members Present: Jack Campana, Peter Harbage, Ed Mendoza

Staff Present: Lesley Cummings, Joyce Iseri, Laura Rosenthal,
Joy Fisher, Lorraine Brown, Irma Michel,
Tom Williams, Kelli Alten, Caroline Castaneda,
Dennis Gilliam, Mercedes Kneeland, Mauricio Leiva,
Janette Lopez, Ernesto Sanchez, Teresa Smanio,
Peter Davidson (PwC)

The meeting was held at the State Personnel Board Auditorium in Sacramento.

Chairman Allenby convened the meeting and announced commencement of the Executive Session. Following completion of the Executive Session, Chairman Allenby continued the public portion of the meeting.

REVIEW AND APPROVAL OF MINUTES FROM MARCH 26, 2003, MEETING

Dr. Areta Crowell made a motion to approve the minutes of the March 26, 2003, meeting as distributed. The motion was unanimously passed.

LEGISLATIVE UPDATE

Bill Summary

Teresa Smanio, Legislative Coordinator at MRMIB, reviewed the legislative bill summary with the Board.

AB 154 (Chan)

This bill requires all health plans participating in the HFP and Medi-Cal managed care to submit annual reports to MRMIB and DHS on the provision of culturally and linguistically appropriate services. MRMIB and DHS are required to compile the reports received and submit a report on them to the Legislature. MRMIB staff presented an analysis of this bill to the Board at their last meeting. Subsequently, the bill was heard in the Assembly Health Committee and was placed on the Appropriations Suspense File.

Ed Mendoza asked for the fiscal impact of AB 154. Lesley Cummings, Executive Director of MRMIB, responded that the bill would incur expenses for consultant services.

AB 343 (Chan) – Administration Sponsored Bill

This bill prohibits charging an HFP applicant for application assistance and makes changes to the HFP appeals process. The bill was amended to delete the provision that gave MRMIB pilot authority to develop innovative methods of providing HFP coverage. This bill passed out of the Assembly Health Committee on April 22, 2003 with a vote of 24 Yes and 0 No.

Chairman Allenby asked who was opposed to the pilot project language. Ms. Cummings stated that the Chairman of the Assembly Health Committee was opposed to the pilot project language because he felt the language was too general.

AB 373 (Chu)

This bill was amended on April 22, 2003. This bill now states that any HFP subscriber who selects, or is assigned to, a primary care clinic shall be deemed to have been assigned directly to the primary care clinic, and not to an individual provider employed by the clinic. When a subscriber is assigned to a physician who is an employee of a primary care clinic, the assignment shall constitute an assignment to the primary care clinic.

AB 1163 (Frommer)

This bill, sponsored by the 100% Campaign, was amended on April 22, 2003. The bill now requires by October 1, 2004, that MRMIB and DHS, in consultation with counties and consumer advocates, establish county bridge health insurance coverage options for children leaving the HFP or Medi-Cal program and switching to county-sponsored health insurance programs. The bill requires the Board and DHS to synchronize the eligibility processes for both programs. Beginning January 1, 2004, the Board and DHS are required to release an annual report that includes the number of children participating in the bridge program. The bill also requires the Board to develop a payment procedure whereby families experiencing temporary financial hardship may make payments to the program for delinquent family contributions.

Chairman Allenby asked if there had been any discussion with the author's office on their definition of "coordination." Ms. Cummings stated that the Health and Human Services Agency spoke to the sponsor and was told that the bill suggests the same ideas presented by the 100% Campaign in its retention report.

AB 1524 (Richman)

This bill has been amended to expand the AB 495 County Health Initiative Matching Fund provisions to parents. The funding of eligible parents will be provided to the extent that funds are not needed for the AB 495 children's expansion program. The county proposals for adult converge are to be patterned after the state's parental expansion program. Only participating HFP health, dental and vision plans may be used.

AB 1528 (Cohn)

This bill was amended on April 22, 2003. The bill would create the California Essential Health Benefits Program administered by MRMIB to ensure access to health care coverage for all Californians. It requires employers to pay an assessment for health coverage unless the employer elects to provide its employees and dependents with the benefits that are offered by the program. The bill requires the program to offer health care coverage to employees of employers who pay the program assessments for coverage and requires the Employment Development Department to collect these assessments.

Chairman Allenby asked if AB 1528 was the Assembly's version of Senator Burton's pay-or-play health care coverage bill (SB 2). Ms. Cummings stated that AB 1528 reflects Blue Shield's ideas.

Ms. Smanio stated that twelve of the bills on MRMIB's list have been set for their first policy committee hearing within the coming week so there will be a lot of action to report at the next Board meeting.

Dr. Crowell asked if the Board could receive an interim bill summary after the bills have been heard next week. Ms. Smanio agreed to provide the Board with an interim summary.

Mr. Mendoza stated that the Board may wish to also track SB 853 which will have amendments that may affect MRMIB. The bill may grandfather into law contract language provided in MRMIB's HFP health plan contracts on cultural and linguistic services.

Chairman Allenby asked if there were any questions or public comment; there were none.

Analysis of AB 368 (Chan)

Ms. Smanio presented an analysis of AB 368 (Chan). AB 368 is sponsored by the Consumer's Union. The bill proposes to establish a local educational agency (LEA) billing option to obtain Title XXI reimbursement for services provided to HFP children in a school setting. Currently, DHS administers a Medi-Cal LEA billing option, under which LEAs receive fifty percent federal Medicaid reimbursement for school-based health services provided to Medi-Cal children. These federal funds must be reinvested in health and social services for children. AB 368 states that the services to be covered under the HFP LEA billing option would be the same as those authorized for Medi-Cal in subdivision (f) of section 14132.06 of the Welfare and Institutions Code. These services are: (1) health and mental health evaluation and health and mental health education, (2) medical transportation, (3) nursing services, (4) occupational therapy, (5) physical therapy, (6) physician services, (7) mental health and counseling services, (8) school health aide services, (9) speech pathology services and audiology services, (10) targeted case management services for children with an individualized health and

support plan (IHSP) provided on or after July 1, 1997. All of these services are currently covered under HFP except for targeted case management and non-emergency medical transportation.

There is obvious overlap between services provided under HFP contracts and LEA services. This raises a question about duplicate payment. DHS indicates that this is not a problem for their Medi-Cal managed care plans because they maintain separate payment systems. If MRMIB were to establish a LEA billing option for HFP, however, it seems likely that the agency would have to separate out that portion of health plan rates attributable to services that would now be provided by LEAs. Separating out the LEA portion of the HFP rate would be further complicated by the following: (a) LEA services are only available during the school term and thus unavailable during school holidays, weekends, and vacations; (b) LEAs are not uniformly available in all HFP service areas; and (c) LEAs are not required to provide all 10 benefits listed in subdivision (f) of section 14132.06 of the Welfare and Institutions Code.

AB 368 requires MRMIB to adopt regulations for administering the LEA. The bill also requires covered services provided by an LEA to be closely coordinated with the child's primary care provider or other treating physician. Having two avenues of treatment - one from HFP, the other from the LEA - could lead to duplication of services if coordination does not occur between LEA and HFP providers.

AB 368 requires MRMIB to establish an eligibility matching process to assist LEAs in identifying HFP enrolled children. The bill requires MRMIB to withhold not more than one percent of the amount reimbursed to an LEA for administrative and processing costs incurred by MRMIB or DHS. In addition, the bill requires MRMIB to file a State Plan Amendment to allow the use of Title XXI federal funds to reimburse schools for services provided to a HFP enrolled child. The bill assumes federal funds will be available for this purpose. However, after September 2003, there will be no more reversions of federal SCHIP funds.

The fiscal impact of this bill for first year costs would be approximately \$685,000. This would include a one-time cost to implement EDS system changes of \$300,000. There would also be a need for four additional staff to develop a fiscal claiming system, develop policies for LEA reimbursement, develop the State Plan Amendment, develop fiscal and policy regulations, execute an interagency agreement with DHS, develop and monitor agreements with LEAs, and answer policy and fiscal questions from LEAs. There would also be additional expenses for EDS to process LEA claims, MEDS matching of LEA claims with HFP children, and preparing, copying and mailing document to LEAs. In addition, there would be second and subsequent year costs of approximately \$482,000, depending on the level of LEA participation. These costs would include EDS' costs to process LEA claims, MEDS match of LEA claims with HFP children, three staff for ongoing administration of the program, and preparing, copying, and mailing documents. With the one percent reimbursement provision, at least \$68.5 million in federal SCHIP reimbursement to LEAs would be required to cover first-year costs.

AB 368 gives MRMIB six months from the effective date to implant the LEA billing option, which is insufficient. The bill does not specify how duplication of services and double-billing can be avoided. There is no data available on how many HFP children currently receive LEA services. An amendment would be needed to authorize MRMIB to execute an interagency agreement with DHS to process claims.

The bill has received support from mostly school organizations. The bill has received opposition from the California Right to Life Committee.

Ms. Cummings distributed a chart showing the availability of federal funds. She asked the Board to keep in mind that federal funds being allocated will need to be prioritized. This is because no additional funds will be reverted to the federal government after September 2003. Federal funds will be diminishing each year and it is unknown how much federal funds will be available in 2008.

Ms. Iseri stated that Medi-Cal estimated they will need \$150 million for LEAs in 2003. Mr. Peter Harbage stated that the Medi-Cal program has been expanding and expenditures have been growing over the past several years.

Mr. Jack Campana stated that it is an advantage to have schools assisting children in case management. Dr. Crowell agreed that the outcome is desirable. She added that MRMIB could determine which children receive services through LEAs and deduct the cost from health plan contracts. She stated that in the past, MRMIB has encouraged plans to work with schools on providing health services. School-based services really work for children who are not getting services elsewhere. Some health plans already have agreements with schools. She suggested that staff keep working on ways to implement LEAs. Chairman Allenby suggested that staff further examine Medi-Cal's billing practices for LEAs. He stated that plans may not want to get involved with determining how to implement LEAs, since LEA reimbursement could mean a potential reduction in funds for plans. Mr. Campana stated that the importance of LEAs cannot be underestimated.

Mr. Mendoza asked if MRMIB needs to designate priorities for spending federal SCHIP funds. Ms. Cummings stated that federal law requires that the funds are first spent on children in the SCHIP program with the remaining funds being spent on parents of children in the SCHIP program and AB 495 projects. Any bill proposing to use federal SCHIP funds is required to work within a priority scheme and it is possible that funds will not be available. Dr. Crowell stated that there should not be additional costs after the initial implementation cost. Chairman Allenby stated that it is not possible to implement LEAs unless the insurance industry is involved.

Chairman Allenby asked if there were any questions or public comment; there were none.

Analysis of AB 1130 (Diaz)

Laura Rosenthal, Chief Counsel for MRMIB, provided an analysis of AB 1130 (Diaz). AB 1130 is sponsored by the Local Health Plans of California. The bill allows for implementation of AB 495 in the current year. Almost all of the language in the bill is also in the administrative sponsored budget trailer bill. The administration has submitted a State Plan Amendment (SPA) to implement AB 495 in four counties. Ms. Cummings stated that MRMIB has been notified that it will shortly be receiving a letter from the federal government with questions on the SPA submission.

Ms. Rosenthal stated that the language matches the administration's budget trailer bill. The Public Records Act language and language regarding MRMIB's exemption to competitive bidding was elaborated to include county AB 495 programs. County expansion programs may be using rates negotiated by MRMIB or information from MRMIB on rates; therefore, technical changes were made to make it clear that MRMIB's exemptions also apply to AB 495 county programs.

Cherie Fields with the Local Health Plans of California stated that they are the sponsor of AB 495 and AB 1130. She thanked MRMIB and staff for their support and guidance on the technical amendments.

Chairman Allenby asked if there were any questions or public comment; there were none.

Chairman Allenby acknowledged Tom Williams, formerly the Chief of Budgets and Fiscal Forecasting at MRMIB, who was recently promoted to Deputy Director of Administration. Chairman Allenby congratulated Mr. Williams on his promotion.

HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT (HIPAA)

Interagency Agreement with California Office of HIPAA Implementation and HIPAA Consultant Contracts

Joy Fisher, Staff Counsel at MRMIB, informed the Board of an opportunity for MRMIB to obtain assistance in implementing the Health Insurance Portability and Accountability Act (HIPAA) laws. The California Office of HIPAA Implementation (CalOHI) has offered MRMIB \$150,000 for a consultant to assist MRMIB staff in understanding how to comply with HIPAA Privacy Rules and Transaction and Code Set Rules. The funds presented by the State will be matched with federal money.

It is necessary for MRMIB to enter into an interagency agreement with CalOHI to obtain the funding and then to enter into a contract for consulting services. Ms. Fisher indicated that staff has already asked for bids for the contract. They are due May 7, 2003. The fast pace of the federal deadline is the reason for the quick turnaround in selecting a consultant.

Ms. Fisher asked the Board to approve two resolutions. The first resolution would allow MRMIB to contract with CalOHI to receive the funding and the second resolution would allow MRMIB to contract with a consultant for HIPAA implementation. Ms. Fisher stated that MRMIB has to act quickly to obtain the special one-time funding. Mr. Mendoza asked how staff would have implemented HIPAA implementation without the extra funding. He asked if contracting with a consultant would free up staff time. Ms. Cummings stated that it would not free up time. MRMIB staff are very fortunate to be offered the funding. Without a consultant it would be very difficult for staff to implement HIPAA rules and continue their current workload.

Chairman Allenby expressed concern that State departments or boards that are hiring consultants may get conflicting advice. HIPAA training is very complex. Consultants may have differing interpretations. Mr. Harbage agreed with Chairman Allenby's concern. He stated that this is the reason that the Health and Human Services Agency added CalOHI to provide technical assistance for State departments. CalOHI tries to provide tools, resources and funding when available. Ms. Cummings stated that the entire MRMIB staff have been HIPAA-trained. She thanked Ms. Fisher, Mr. Tarczy, and Ms. Watanabe for their assistance in training MRMIB staff.

Dr. Crowell asked if CalOHI will screen all of the consultant contractors. Mr. Harbage stated that CalOHI's approach has been to work with the departments directly and not the contractors. However, all of the contractors are on the Master Services Agreement list with the Department of General Services (DGS). Ms. Iseri stated that CalOHI has offered work groups and other means of assisting departments with specific areas of HIPAA. Mr. Gilliam stated that the resolution before the Board needed a correction to the agreement number. The agreement number should be 27 instead of 26.

Ms. Gottlieb made a motion to enter into a contract with CalOHI to fund contracted consulting services to assist MRMIB in the implementation of the Privacy Rule and Transactions and Code Sets Rule of HIPAA and to enter into a contract with a consultant contractor from the list of approved contractors for the DGS' HIPAA Master Services Agreement and enter into a contract for the purposes of providing consulting services to assist MRMIB in the implementation of the Privacy Rule and the Transactions and Code Sets Rule of HIPAA.

Chairman Allenby asked if there were any questions or public comment; there were none. The motion was unanimously passed.

Ms. Rosenthal sadly announced that Ms. Fisher will no longer be working at MRMIB. Ms. Fisher has accepted a position with the Department of Boating and Waterways. In her limited time at MRMIB, she has done great work on HIPAA which included HIPAA training for all staff. In addition, she also gathered valuable information on high risk insurance pools. Ms. Rosenthal thanked Ms. Fisher for her dedicated work. Dr. Crowell agreed with Ms. Rosenthal's statements and also thanked Ms. Fisher. Ms. Fisher stated that she will not forget her time spent at MRMIB.

HEALTHY FAMILIES PROGRAM, ACCESS FOR INFANTS AND MOTHERS PROGRAM AND SINGLE POINT OF ENTRY ADMINISTRATIVE VENDOR AWARD OF NEW CONTRACT

Ms. Cummings began the presentation by acknowledging the excellent work that Irma Michel and Ernesto Sanchez had done in managing the procurement process. She noted that the evaluation and negotiation teams for the procurement had worked very hard, over many nights and weekends, to bring the project in on time.

Ms. Michel then provided the Board with an overview of the administrative vendor proposal review process. The new contract is consolidating administrative services currently provided by three different vendors. The deadline for proposal submissions was February 28, 2003 and two proposals were submitted by the deadline. One from Electronic Data Systems (EDS), the incumbent, and one from MAXIMUS.

Ms. Michel announced that after a thorough review and evaluation of the two proposals, the staff recommendation is to award the Administrative Vendor Contract to MAXIMUS. She stated that MAXIMUS was able to comply with all contract requirements and exceeded the requirements in most areas. They demonstrated their capability and competence in successfully accomplishing the State's aggressive transition deliverables. Their strategy to provide administrative services is accountable, innovative, efficient, and is, overall, the best value to the State.

Review of Staff Recommendation

Mr. Sanchez reviewed in detail the evaluation and recommendation document that had been provided to the Board.

The Board approved release of the 2003 Model Contract and Proposal Solicitation for the HFP, AIM and SPE Screening Administrative Vendor on December 19, 2002. The Model Contract requires transition of and assumption of administrative services by the selected vendor by January 1, 2004. By December 2003, a month prior to complete assumption of administrative services, the system must be fully functional and operational.

Evaluation and Negotiation teams comprised of MRMIB and DHS staff conducted the procurement process. After initial review and evaluation of the two proposals, the teams held multiple meetings, systems demonstrations, and multiple conference calls with each vendor. The purpose of the meetings was to discuss proposed changes to the Model Contract, to clarify the State's understanding of the vendor's proposed services, to provide clarification of Model Contract requirements to the vendors, and to negotiate improved service levels and price. Each vendor was allowed to enhance its original proposal submission various times through the negotiation process. Each vendor was given a final opportunity to improve the service levels and prices in its bid. The evaluation team re-evaluated each revised final proposal based on the selection criteria specified in the Solicitation and made a final recommendation to the Executive

Director. The Executive Director reviewed the evaluation team's analysis and concurred with the team's recommendation. The evaluation team and the Executive Director based their assessment on the best overall value to the State.

The selection criteria used to evaluate the bids included the vendor's organizational background, the overall strength of the vendor's technical proposal, the vendor's organizational ability to successfully accomplish the transition and operations requirements, the vendor's financial solvency and stability, and the cost-effectiveness of the proposal.

Mr. Sanchez then went through the sections of the document that detail the two vendor's bids by each of the criteria in a side-by-side comparison.

Both vendors are publicly held corporations and California licensed businesses. EDS has over 25% of annual revenues from Government Service Contracts. MAXIMUS has over 59% of annual revenues from Government Service Contracts. Both vendors have extensive experience in Medicaid and SCHIP administrative services. Mr. Sanchez described each vendor's expertise and the type of services provided for SCHIP nationwide.

Six states and California SCHIP were contacted to validate EDS' references and seven states were contracted to validate MAXIMUS' references. The references validated that both vendors have established a record of quality performance in government health service contracts in multiple states, have been good business partners and have performed well in delivering the contacted services. The only cautionary note during all the reference calls was that many times states create their own problems with contractors by providing inconsistent or contradictory direction or multiple changes to state requirements for system development or modification. Both vendors were committed and completed the tasks, even with the difficulties involved.

EDS proposed five substantive enhancements and six minimal enhancements to the baseline service levels in the Model Contract requirements as determined by the reviewers. In addition, EDS proposed one substantive enhancement to Technological or Business Practices in the baseline Model Contract requirements. Mr. Sanchez reviewed each substantive item in detail.

MAXIMUS proposed eight substantive enhancements and three minimal enhancements to service levels in the baseline Model Contract requirements as determined by the reviewers. They also proposed ten substantive enhancements to Technological or Business Practices to the baseline Model Contract requirements. Mr. Sanchez reviewed each substantive item in detail.

Mr. Sanchez reviewed both vendors' ability to successfully accomplish transition and operations requirements. He stated that MRMIB's Manager of Information Technology provided technical assistance and expertise in reviewing the data systems.

Mr. Sanchez reviewed the proposed systems for both bidders, including system design methodology, platforms and how various components were integrated.

Mr. Sanchez presented information on both vendors' encounter data systems and noted that MRMIB's Deputy Director of Benefits and Quality Monitoring had provided technical assistance and expertise in reviewing the Encounter Data Systems. He reviewed the proposed systems for encounter data systems for both bidders including system design, platform and integration with eligibility systems.

Mr. Sanchez indicated that bids were reviewed for creativity and effectiveness of technological solutions. EDS proposed three creative technological solutions and MAXIMUS proposed eleven creative technological solutions.

EDS' key personnel and staffing levels are experienced in administering the SPE and HFP for the past five years. They have demonstrated the ability to administer the contractual requirements for those functions.

MAXIMUS' key personnel have academic backgrounds, work experience and a successful record of accomplishing large scale government health services contracts. The proposed staffing levels for the contract are nearly equivalent to the current staffing levels identified by the incumbent vendor.

Both vendors provided an approach to communicating with diverse populations. Mr. Sanchez reviewed each approach. He stated that MAXIMUS shows a more fully developed approach to linguistic and cultural services than the incumbent vendor.

Mr. Sanchez reviewed the vendors' proposed plans submitted and demonstrated ability to complete plans as evidenced by the Transition Schedule and Transition Work Plan.

He stated that EDS submitted plans that were inconsistent and incomplete, and did not meet all the Transition Schedule and Transition Work Plan requirements. Plans lacked details and even revised Transition Work Plans did not address the inconsistencies. EDS' Transition Schedule and Transition Work Plan did not meet the Model Contract requirements for delivery of the Decision Support System and the integration/assimilation of the AIM Program (this AIM non-compliance creates significant problems with consolidation of AIM infants into the HFP currently scheduled for mid-year 2004). EDS' Transition Work Plan for new administrative service (Model Contract) requirements is non-descriptive and duplicative. It contained separate plans which did not provide an integrated transition approach. EDS did not provide enough detail to adequately evaluate the vendor's ability to complete the plans.

MAXIMUS submitted all the required plans as part of the Transition Schedule and Transition Work Plan. The plans were complete, comprehensive, detailed and representative of the tasks involved in transition to the new contract requirements and to a new administrative vendor. There is consistency between the Transition Schedule and the tasks outlined as components of the Transition Work Plan. MAXIMUS'

Transition Schedule and Transition Work Plan meet the Model Contract requirements for the deliverables due by January 1, 2004. The task and timeline assumptions for the tasks are reasonable. The comprehensive detailed plans provide necessary specificity to adequately evaluate the vendor's ability to complete the plans.

Mr. Sanchez reviewed in detail each vendor's ability and approach to customer service. He stated that MAXIMUS' more fully developed approach to customer service shows that the vendor places strong emphasis on enhanced customer service levels in order to achieve increased enrollment and retention rates for each program. The approach shows efforts to promote program awareness to California's diverse population as well as intelligent use of technology and automation to maximize efficient program administration.

Mr. Sanchez reviewed each vendor's financial solvency and stability. MRMIB's Financial Operations Officer and CPA provided technical assistance and expertise in reviewing financial solvency and stability. Both vendor organizations are in "Good Financial Health" according to the Altman Z scores.

Mr. Sanchez reviewed each vendor's proposal for cost-effectiveness. MRMIB's Senior Budget Research Analyst provided technical assistance and expertise in reviewing the cost-effectiveness of each proposal. Mr. Sanchez reviewed the flat fee payments proposed by each vendor. EDS' estimated total cost for the term of the Contract was \$491,479,742.00. MAXIMUS' estimated total cost for the term of the Contract was \$411,129,318.00. MRMIB staff reviewed the differences from the current cost structure, and both proposals were less expensive than current costs. However, MAXIMUS' cost was less.

Mr. Sanchez summarized that, based on the side by side comparison, the MAXIMUS proposal demonstrated and substantiated its superior ability to provide enhanced administrative services for a competitive price. The proposal placed strong emphasis on enhanced customer service as a core priority for serving California's diverse population. The vendor demonstrated its capability and competence to successfully accomplish the State's aggressive transition deliverables through advanced technological solutions and automation. MAXIMUS will provide the State accountability on its ability to deliver by providing security in the form of a \$20,000,000 Letter of Credit.

Discussion of Staff Recommendation

Mr. Mendoza complimented the staff on the comprehensiveness of the presentation. He asked Mr. Sanchez to summarize the enhancements proposed by MAXIMUS. Mr. Sanchez stated that MAXIMUS showed a significant commitment with enrollment, retention, service level enhancements, technological enhancements, and system enhancements to provide additional flexibility to the Model Contract. Their approach to providing cultural and linguistic services and their general approach to customer service was more fully developed.

Dr. Crowell thanked staff and Mr. Sanchez for excellent work. She expressed concern about difficulties in making the transition. She asked if staff had received expert legal assistance on the proposed bond. Ms. Rosenthal stated that staff had obtained outside legal expertise.

Dr. Crowell expressed concern that if one system is discontinued at the same time the other system begins, there may not be back-up data to rely on. She also stated that, while MAXIMUS' state-of-the-art system is currently being used in Utah, Utah's population is significantly different than California's. She asked if staff had the technical capability to evaluate the system. Mr. Sanchez stated that the information was validated by in-house data processing experts. It is industry standard and staff has discussed the system with other states. Dr. Crowell asked if the system has been tested.

Mr. Sanchez stated that the system has been tested and is currently running in Utah. MRMIB staff will be tracking the program weekly, including problem logs. Staff also has reviewed the variance reports for the Utah project. MRMIB staff will be working closely with MAXIMUS and there are several tests that will be conducted before it is operational. MAXIMUS has a reputation for transitioning programs quickly and effectively. They currently operate call centers with the same volume as HFP and mail packets out to the same number of members as in HFP.

Ms. Gotlieb thanked MRMIB staff and both vendors' staffs for all the hard work put into the preparation and evaluation of bids. She acknowledged that the process is difficult but exceedingly important. She stated that the Board is looking for the best value through a fair process. The contract enhancements and cost-effectiveness of MAXIMUS' proposal clearly shows their commitment. She stated that she was impressed with the customer service enhancements and the proposed outreach and creative solutions. She asked if staff made any reference calls to independent sources. Mr. Sanchez stated that staff had toured administrative vendors in a number of states, talked to staff in the Department of Health Services (DHS) who have experience working with both vendors, and had solicited additional contacts through contacts with other states made at national conferences. Both vendors have an exemplary record in providing customer service.

Ms. Gotlieb stated that she has appreciated working with EDS. She noted that EDS had enhancements in regards to county liaisons. She asked if MAXIMUS had enhancements in that area. Mr. Sanchez stated that EDS was the only vendor to provide enhancements in that area but that MAXIMUS met the contract requirements. Ms. Gotlieb noted that MAXIMUS proposed more system connections with counties than EDS. Mr. Sanchez agreed. Ms. Gotlieb stated that the technological advances seem significant. She asked if there will be dual systems running for a short time. Mr. Sanchez stated that the current vendor will provide service until the contract ends while the new vendor sets up the system and is fully functional by December 1, 2003, a full month before taking over.

Mr. Mendoza stated that the worst case scenario would require MRMIB to use the contingency line of credit to fund the current vendor's service until the new system is

running. Ms. Rosenthal agreed. Ms. Gotlieb asked why there was no start-up costs listed for the encounter claims section. Mr. Sanchez stated that there are no start-up costs listed because an existing system in Utah is the model for the new California system.

Dr. Crowell asked how staff judged what enhancements were substantial. She stated that EDS proposed to increase processing time and staff judged that enhancement as minimal. She asked why this enhancement was not viewed as substantial.

Mr. Sanchez stated that the current standard is three days. EDS' proposed processing time enhancement was not much faster than the current standard. Dr. Crowell asked what the "Blue Pumpkin" is. Both vendors proposed using this software. Mr. Sanchez stated that the Blue Pumpkin is work load distribution software that tracks the system to look at trends. This makes better use of human resources because the system will tell the vendor when there is a trend of incoming calls and workload. Dr. Crowell asked if the system is currently in use in the EDS contract. Mr. Sanchez stated that it is not in use right now. EDS was proposing it as an enhancement.

Dr. Crowell asked if staff had indicated that both systems would not be running simultaneously during transition. Mr. Sanchez confirmed that both systems would not be running simultaneously. Dr. Crowell stated that there was a big story in the newspaper in Los Angeles where a hospital emergency room computer crashed and there was no back-up. She asked staff to do due diligence on this contract to be sure the same thing does not happen. Dr. Crowell stated that she very much appreciated EDS and the contributions it had made to HFP. She noted that the Board has asked EDS to make a continuous set of changes during the contract period. She hoped that EDS would continue to provide excellent service during the transition. She was impressed that the EDS proposal included enhancements. Chairman Allenby stated that it is obvious that EDS is a good contractor. Ms. Gotlieb thanked the vendors for their alternatives to outreach now that Certified Application Assistants (CAAs) will no longer be funded.

Chairman Allenby asked if there were any questions or public comment.

Cliff Berg, a Legislative Advocate for EDS, complimented staff on their presentation. However, he stated that EDS had just received the information and had not had time to review it. He stated that the program is complex and urged the Board to postpone their decision for 30 days. This would give EDS time to review the information and allow stakeholders and advocates the opportunity to respond to the information. The contract will affect thousands of children and that the public should therefore have input. Mr. Berg provided an example of a procurement process he was involved in with the Legislature where members of the Legislature told him if the old technology is not broken then do not try to fix it. He offered the same analogy for the vendor contract.

Mr. Berg stated that MRMIB staff are saying the Board will get more services for less money and the system is working in Utah. He stated that Utah's population is very different than California's. The recommended vendor is a much smaller organization

with fewer employees and has never performed a contract of this size. EDS has performed hundreds of large contracts. The recommended vendor has no experience in HFP in California whereas EDS has lots of experience. There have been numerous instances of failed transitions and the consequences of a failed transition are great. If the new vendor loses 5% of subscribers due to frustration during transition, it would result in a large amount of federal funds lost. Vendors are not interchangeable. Each has a different set of responsibilities and different companies have different corporate policies. He again asked the Board to keep the item open for 30 days to receive public comment.

Mr. Mendoza asked who would come forward with recommendations other than children and parents if the Board kept the item open for 30 days. Mr. Berg stated that advocates, constituents, and providers would provide public comment. Mr. Mendoza asked if this procurement process had allowed public comment. Ms. Cummings stated that the Model Contract and Solicitation Packet were brought before the Board at three different meetings for public comment. During this time, there was no recommendations for a 30 day comment period. In addition, vendors have had time to develop and refine bids during the process.

Dick Callahan with EDS stated that he participated in the proposal process and recommended numerous enhancement during the development of the model contract. If EDS staff had known these enhancements would be evaluated, they would have waited to include them in the bid. Most of the enhancements included by MAXIMUS are enhancements that EDS could make as well. He noted that MAXIMUS had gotten credit for an enhancement to identify county welfare departments to facilitate use of electronic application information. EDS is able to implement such a system but the counties are not ready for the system to be implemented. EDS is able to provide web-based access to encounter data, but did not get credit for that as MAXIMUS had. EDS included web access in the proposal and was not given credit for the enhancement. EDS has 150 million encounter claims and was not given credit for it. EDS offers mapping service but was not given credit for the enhancement. It is not true that formal reports require additional software. EDS currently has JVR capabilities contrary to what MRMIB staff presented. The fact that MAXIMUS has set staffing levels slightly below EDS staffing levels is troublesome, particularly because transitions require extra staff. He stated that Georgia procured a new system for their PEACH Care with a system that had been running in 11 other states and it processed less than 20% of the claims. He asked the Board to allow more time before making a decision.

Lily Rodriquez, representing a community based organization, stated that she has worked with EDS and they have been very responsive. EDS has worked well with community groups and has a solid track record of performance. This decision impacts the community. In her experience working with MAXIMUS, they have had a lot of turn-over of personnel and are not easy to work with.

John Boyer with MAXIMUS stated that MAXIMUS has a very strong commitment in serving this population. He thanked MRMIB staff for their kind comments during their

presentation. He noted that MAXIMUS has had considerable experience in transitions. MAXIMUS looks forward to the opportunity to prove they are up to the challenge and thanked staff for that opportunity.

Mr. Mendoza asked what the impact is if the Board withholds a decision.

Ms. Cummings stated that it would shorten the time to accomplish the transition. If the contract is awarded today, staff will immediately begin working towards the transition. This is necessary because EDS' contract will expire on December 31. She stated that this process has been presented to the public for a long time and advocates have had plenty of opportunities to provide public comment. The selection criteria established for the model contract specifically state that enhancements will be evaluated. Staff understands that making a change can be disruptive but it is staff's view that MAXIMUS is able to make the transition. Staff put in a lot of effort to be certain MAXIMUS can handle the transition.

Ms. Rosenthal stated that the process used to select the vendor was not the traditional Request for Proposal (RFP) process. However, the Board is still bound to the selection criteria in the solicitation for making their decision. If public input is considered, the Board must be very careful that there is no ambiguity about whether it is adhering to the criteria listed in the solicitation document.

Mr. Mendoza stated that he does not see it as a good business decision to wait 30 days to award the contract. He asked if it was communicated to the vendors that staff was looking for contract enhancements in the proposals. Ms. Cummings stated that staff met with each vendor many times and the evaluation criteria were clear. However, staff did not share proposals among bidders.

Chairman Allenby stated that staff have spent a lot of time on the evaluation and selection process. The Board depends on staff to do thorough work and that has occurred.

Dr. Crowell motioned to authorize the Executive Director to enter into, sign and execute an agreement with MAXIMUS for the purpose of providing Administrative Services in the Access for Infants and Mothers Program, the Healthy Families Program and Single Point of Entry screening. She also motioned to adopt the resolution contained in Agenda Item 6.

Chairman Allenby made a note that the final execution of the contract is contingent upon a resolution of all remaining technical issues relating to the contract and the Letter of Credit. There are no substantive issues outstanding.

Chairman Allenby asked if there were any additional questions or public comment; there were none. The motion was unanimously passed.

HEALTHY FAMILIES PROGRAM (HFP) UPDATE

Enrollment and Single Point of Entry

This agenda item was postponed to the next meeting.

Administrative Vendor Performance Reports

This agenda item was postponed to the next meeting.

Plan Consumer Surveys (Health and Dental Plans)

This agenda item was postponed to the next meeting.

Copayment Report

This agenda item was postponed to the next meeting.

Health Plan Quality Corrective Action Plan

This agenda item was postponed to the next meeting.

2002 County Mental Health Services for Seriously Emotionally Disturbed (SED) Status Report

This agenda item was postponed to the next meeting.

Insurance Based Oral Health Solicitation and Model Contract Amendments

Mauricio Leiva, Benefits Manager at MRMIB, presented the Board with the Draft Solicitation and Model Contract Amendments for the Insurance-based Oral Health Demonstration Project Solicitation. This draft is presented to the Board for the first time and is now available to the public and all interested parties for their review and comment. Upon receiving public comment, the Solicitation and Model Contract will be presented to the Board again at their May 21, 2003 meeting for approval.

This solicitation is being conducted as a result of the partnership formed by the "First-5 California Children and Families Commission" (Prop 10) and MRMIB. At previous meetings, staff reported that the Prop 10 Commission was interested in partnering with MRMIB to implement one component of their statewide oral health initiative. The component that MRMIB has been asked to administer is the Insurance-based Oral Health Demonstration Project.

This project will be implemented by using the existing health and dental plan contracts. Health and dental plans currently participating in HFP are being asked to partner with

MRMIB and submit proposals that will address the goals and objectives of the Demonstration Project.

This proposal solicitation is for a three-year period starting in Fiscal Year 2003/04 and continuing through Fiscal Year 2005-06. MRMIB is requesting proposals for three years to promote continuity of services and allow for project data to be collected and analyzed over a longer period of time. Continuation of any project selected through this process is contingent on the plan's continued participation in the HFP. MRMIB will re-procure all health, dental and vision plan contracts with a start date of July 2004.

The proposed start date for the implementation of this project is October 1, 2003. The solicitation package includes background information about the HFP and information about the First-5 California Children and Families Commission's Oral Health Initiative. The solicitation package also provides information about the proposed strategies and defines the goals and objectives of the demonstration project which are: (1) increased utilization of preventive dental benefits among young children and children with disabilities and other medical conditions, (2) increased capacity of dental and health care providers to serve the oral health needs of young children, and (3) increased access to dental care in rural and frontier areas.

Dental and health plans are encouraged to partner with providers that have historically provided dental and health care services to young children and children with disabilities and special medical conditions.

Some of the strategies that may be considered include but are not limited to: Case Management; Home Oral Health Care Projects; School Linked Oral Health Projects working collaboratively with School Readiness Sites; Teledentistry; Special Education Seminars targeting HFP children and their caregivers; Hospital-based or surgical center dentistry; Mobile Dental Vans; and other ideas with promising or proven effectiveness. Funding for this project (\$1 million) will be provided by the California Children and Families Commission. MRMIB will submit a State Plan Amendment to CMS to secure federal financial participation in the amount of \$2 million annually, for a total of \$3 million annually for the Demonstration Project.

Proposals are due to MRMIB by close of business on July 11, 2003. A bidders' conference will be held on May 28, 2003 from 1:00 to 3:00 p.m. at the MRMIB office.

Mr. Leiva discussed the proposal selection criteria listed in the proposal. He stated that none of the items in the selection criteria will be given specific points. Instead, proposals will be reviewed in their entirety. While all review factors are important, plans should carefully review factor two which requires plans to improve utilization of dental services in the target population and requires the plans to show their ability to meet the goals and objectives of the Demonstration Project. In addition, plans should carefully review factor four, which includes specific language about the plan's ability to comply with extensive data collection requirements and strict reporting requirements.

In addition to the project description, proposals should describe how the project will build on the local childhood oral health efforts supported by the California Children and Families Commission.

All dental and health plans interested in participating in this project will be required to submit a project budget in the format specified in the Model Contract and Solicitation Package. Administrative costs for the projects cannot exceed 10% of the total project costs.

Mr. Leiva thanked Barbara Martin with the California Children and Families Commission for her assistance on the Model Contract and Solicitation package.

Chairman Allenby asked if there were any questions or public comment; there were none.

Update on the Quality and Improvement Work Group

Due to time constraints, this agenda item was postponed.

Interagency Agreement with Department of Health Services (DHS) Audits and Investigations Division

Janette Lopez, Eligibility Manager at MRMIB, presented the Board with an interagency agreement with DHS, Audits and Investigations Division. Federal SCHIP regulation section 457.930 requires MRMIB to develop and implement procedures for investigating and resolving suspected instances of fraud and abuse. This regulation also requires MRMIB to establish a process to forward suspected cases to the State program integrity unit. Absent such a unit at MRMIB, it is staffs' recommendation to establish an interagency agreement with DHS, Audits and Investigations Division for this task. As a way to improve program integrity, referrals of suspected eligibility fraud in the AIM program is also included in this interagency agreement. The amount of the interagency agreement is \$8,000.

Ms. Gotlieb stated that she supports the idea of using existing resources. She made a motion to allow the Executive Director or her authorized designee to enter into, sign and execute an agreement with any amendments with the Department of Health Services for the purpose of providing investigative services of the Audits and Investigations Program.

Chairman Allenby asked if there were any questions or public comment; there were none. The motion was unanimously approved.

HFP Advisory Panel Vacancies

Due to time constraints, this agenda item was postponed.

ACCESS FOR INFANTS AND MOTHERS (AIM) UPDATE

Enrollment Report

Due to time constraints, this agenda item was postponed.

Fiscal Report

Due to time constraints, this agenda item was postponed.

Approval of AIM Health Plan Contract Amendments

Ms. Iseri presented the Board with AIM Health Plan Contracts Amendments. Ms. Iseri stated that rates were negotiated with Blue Cross HMO and EPO, Health Net, Contra Costa Health Plan, UHP and Ventura County Health Plan for 2003/04. The contract amendments do not require a resolution because last year's resolution includes the authority to amend the contracts.

Dr. Crowell made a motion to approve the amendment of the AIM health plan Contracts.

Chairman Allenby asked if there were any questions or public comment; there were none. The motion was unanimously approved.

MAJOR RISK MEDICAL INSURANCE PROGRAM (MRMIP) UPDATE

Enrollment Report

Due to time constraints, this agenda item was postponed.

Fiscal Report

Due to time constraints, this agenda item was postponed.

Enrollment Estimate

Joyce Iseri presented the Board with the April MRMIP Enrollment Estimate for 2003/04. PricewaterhouseCoopers (PwC) updated their estimate of MRMIP average costs and enrollment limits. Their calculations incorporate the implementation of the incubator on September 1, 2003, at which time those MRMIP enrollees with at least 36 months of MRMIP enrollment will be transferred into commercial individual coverage. PwC estimates that 9,773 enrollees will incubate out of the program between September 2003 and June 2004. The estimate make use of the most recent information regarding the numbers of people who will have at least 36 months of MRMIP participation as of that date.

The results of the analysis show an experience period loss ratio that is approximately 148%, as compared to 147% reported in October 2002. Premium increases of 20% to 25% went into effect on January 1, 2003. Since MRMIP claim trends are projected to be approximately 11%, the average loss ratio is expected to decline over the next year. The current enrollment cap is 16,686. PwC recommends lowering the enrollment cap to 15,308 in July or August in anticipation of incubation in September 2003 and to maintain MRMIP enrollment at 10,200 from September 2003 to June 2004. This will provide approximately 4,000 slots in September. PwC has revised its prior opinion and is no longer calling for an immediate freeze in enrollment.

Dr. Crowell stated that she did not understand why higher premiums equal larger enrollment. Peter Davidson, with PricewaterhouseCoopers, stated that subscribers would pay more of the cost. Therefore, allowing the funds to cover more subscribers.

Chairman Allenby asked if there were any questions or public comment; there were none.

There being no further business to come before the Board, the meeting was adjourned.